A Growing Demand for Assurance in Sustainability Reporting

As the interest in sustainability initiatives and the focus on integrated reporting continue to grow, there is a natural demand for some form of external, independent review of management's processes and disclosures, similar to the assurance provided on financial reports, so that users know the information reported is accurate. As discussed in the articles in this issue of *The CPA Journal*, the integration of sustainability reporting with financial reporting creates opportunities for CPAs to provide assurance that new forms of reporting can be relied upon in the public arena.

Right now, no single, generally accepted framework or standard for preparing a sustainability report exists. Assurance standards for sustainability disclosures have developed in recent years, but these vary in approach and are not consistently used. Existing U.S. GAAS does not specifically cover sustainability reporting. Some relevant assurance standards include standards issued by the International Auditing and Assurance Standards Board (IAASB) in 2003 and 2012, the AICPA's attestation standards (AT section 101, "Attest Engagements"), and an AICPA Statement of Position on attest engagements of greenhouse gas emissions information. Assurance on this type of reporting comes from various providers today—accounting firms, consultants, certification bodies, and others (including academic institutions, nongovernmental organizations, and other specialists). This gives management flexibility in what it reports, but it obviously poses challenges for preparers and users.

The CPA's Role

With respect to certain aspects of sustainability activities, CPAs are likely to add value. Companies develop sustainable strategies, improve processes and manage risks to improve investor value (and financial results), and avoid activities that will decrease value (and increase costs). The "business case for sustainability" contends that, in order for sustainability activities to have influence on companies' decision making, there must be a linkage to financial performance and strategy within organizations—that is, a measurable return on investment. Accountants know how to measure and report on these activities. They know how to assess processes and controls; perform benchmarking; assist with planning; measure the outcomes; and report to management, boards, and shareholders.

Other aspects of sustainability reporting are more challenging for CPAs because they might not have the necessary subject-matter expertise (themselves or within their firms)—for example, in areas such as environmental, social, human resource, engineering, and supply-chain issues and metrics. Accountants have the skill set to identify and coordinate the work of subject-matter experts, to review and evaluate their reports, and to assist management in making business decisions. As consultants, many public accounting firms offer sustainability advisory services, using teams that include both accountants and subject-matter experts in other disciplines.

Available Guidance

The AICPA provides a great deal of information on sustainability on its website, and it has published materials calling for the AICPA and its members to become leaders in determining the standards for reporting on sustainability. In an October 2013 white paper, "Accounting for the Sustainability Cycle: How the Accounting Profession Can Add Value to Sustainability-Oriented Activities," the AICPA stated:

> The world's leading accounting bodies should collaborate (rather than acting in an individual, piecemeal sense) to set established sustainability measurement and reporting criteria in order to convey sufficient credibility to investors, boards of directors, and senior executives. … We believe that accountants are best suited to work across the sustainability cycle because of their unique skills in risk management initiatives, performance metrics, and effectively conveyed reports (with assurance) for both internal and external stakeholders. As the U.S. accounting organization in the best position to participate in the collaboration needed for the single voice, the AICPA and its members should be leaders in this evolution.

Voluntary guidelines that prescribe the kind of information companies should disclose have been developed by other groups not affiliated with accounting standards setters like FASB, the IASB, and GASB. AccountAbility is a nonprofit organization and advisory firm that has issued a corporate responsibility assurance standard used by many organizations internationally. In addition, the Global Reporting Initiative (GRI) is a not-for-profit, network-based organization, whose mission is to make sustainability reporting a standard practice and whose Sustainability Reporting Framework is used or referenced by many large corporations in their sustainability reports. The Sustainability Accounting Standards Board (SASB) is a nonprofit organization that provides standards for use by U.S. public companies in disclosing sustainability issues.

Preparing for the Future

As sustainability reporting matures, the expectations of users are likely to increase, and external assurance will likely become a requirement. I encourage CPAs to read more about the assurance debate and the guidelines that exist today in order to provide the new services that companies will be requiring and to participate in the development of new standards in this area.

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